

Message Text

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43

ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 NEA-11 ISO-00 AEC-11

AID-20 CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00 FEA-02

FPC-01 H-03 INR-10 INT-08 L-03 NSAE-00 NSC-10 OMB-01

PM-07 RSC-01 SAM-01 SCI-06 SPC-03 SS-20 STR-08

TRSE-00 DRC-01 /205 W

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R 142140Z FEB 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 2746

INFO AMEMBASSY BEIRUT

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIMA

AMEMBASSY LONDON

AMEMBASSY PORT OF SPAIN

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

AMCONSUL DHAHRAN

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ENRG, VE

SUBJECT: VIEWS OF OPEC GOVERNOR ON CURRENT PETROLEUM DEVELOPMENTS

1. FOLLOWING NEWS OF SUCCESSFUL OUTCOME OF WASHINGTON ENERGY
CONFERENCE, PETATT HAD MEETING FEB. 14 WITH JOSE DE LOS RIOS,
VENEZUELA'S OPEC GOVERNOR. LATTER OBSERVED THAT VENEZUELA HAS LONG
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RECOGNIZED RIGHT OF OIL IMPORTING COUNTRIES TO FORM AN IMPORTERS'

ORGANIZATION, BUT HE EMPHASIZED THAT IN MEETING BETWEEN PRODUCER AND CONSUMER COUNTRIES VENEZUELA WILL WANT TO DISCUSS MORE THAN JUST OIL PRICES. IT WILL WANT TO DISCUSS RISING PRICES OF INDUSTRIAL AND OTHER PRODUCTS EXPORTED BY INDUSTRIALIZED COUNTRIES AND WAYS AND MEANS TO PROTECT OIL EXPORTING COUNTRIES FROM SUCH PRICE RISES AFFECT-

ING THEIR IMPORTS. PETATT EXPRESSED PERSONAL VIEW THAT ANY AGREEMENT ON OIL PRICES ULTIMATELY ARRIVED AT BETWEEN PRODUCERS AND CONSUMERS WOULD HAVE TO BE REVIEWED FROM TIME TO TIME TO TAKE ACCOUNT OF INFLATION AND OTHER RELEVANT FACTORS.

2. DE LOS RIOS ALSO EXPRESSED FEAR THAT U.S. GOVERNMENT MIGHT BE ENGAGED IN AN ATTEMPT TO LINE UP LDC OIL IMPORTING COUNTRIES AGAINST VENEZUELA AND OTHER PRODUCER COUNTRIES. PETATT ASSURED HIM THAT SUCH IS NOT THE CASE AND THAT U.S. AIM IS NOT CONFRONTATION BUT IS RATHER A BRINGING TOGETHER OF INTERESTED PARTIES, BOTH PRODUCERS AND CONSUMERS, TO ARRIVE AT EQUITABLE OIL SUPPLY ARRANGEMENTS.

3. DE LOS RIOS, SPEAKING PERSONALLY AND NOT ON BEHALF OF THE MINISTRY,

EXPRESSED THE VIEW THAT OPEC HAS PUSHED UP OIL PRICES TOO QUICKLY AND TOO FAR AND THAT THERE WILL HAVE TO BE SOME READJUSTMENT. EVEN AFTER A PRICE ADJUSTMENT, DE LOS RIOS AGREED, PRODUCING COUNTRIES WILL STILL HAVE TO FIND MEANS OF ASSISTING POORER LDC'S WITH THEIR OIL IMPORTS. HE NOTED THAT U.S. CONGRESS HAS REFUSED REPLENISHMENT FOR IDA AND SUGGESTED THAT IN HIS OPINION IT WOULD BE EMINENTLY LOGICAL FOR OIL PRODUCING COUNTRIES WHICH WILL HAVE LARGEST PAYMENTS SURPLUSES TO PICK UP THIS BURDEN. HE SAID THAT VENEZUELA IS CONSIDERING THE IDEA OF SETTING UP A SPECIAL FUND IN WORLD BANK AFFILIATE IDA (NOT IDB), WHICH COULD MAKE LOANS ON CONCESSIONAL TERMS FOR OIL PURCHASES.

4. VENEZUELA HAD HOPED TO HAVE OPEC MEETING FEBRUARY 18 TO CONSIDER MEANS OF FINANCING LDC OIL NEEDS BUT IT NOW APPEARS THAT THIS MEETING WILL NOT TAKE PLACE OWING TO OPPOSITION OF SEVERAL MEMBER COUNTRIES, WHICH HE DID NOT IDENTIFY. THIS WAS TO HAVE BEEN FOLLOWED BY MEETING OF OPEC ECONOMIC COMMITTEE ON FEB. 25 TO CONSIDER OIL PRICES.

THIS MEETING MAY STILL TAKE PLACE. DE LOS RIOS BELIEVES THAT THE OPEC COUNTRIES WILL ALSO WANT TO HAVE A FULL OPEC MEETING TO COORDINATE LIMITED OFFICIAL USE

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THEIR POSITION PRIOR TO MEETING WITH CONSUMER COUNTRIES.
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